MILBANK SCHOOL DISTRICT NO. 25-4

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT WITH SUPLEMENTARY INFORMATION

JUNE 30, 2023

MILBANK SCHOOL DISTRICT NO. 25-4

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Wohlenberg Ritzman & Co., LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the School Board
Milbank School District No. 25-4
Grant County, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Milbank School District No. 25-4 (the School District)** as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, schedule of changes in OPEB liability and related ratios, schedule of the School District's proportionate share of the net pension liability(asset) and the schedule of the School District's pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of American, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards,* we have also issued our report dated March 29, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Yankton, South Dakota
March 29, 2024

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 5,863,902	$ 243,314	$ 6,107,216
Restricted cash and cash equivalents	2,156,726	-	2,156,726
Investments	187,734	-	187,734
Accounts receivable	11,419	39,230	50,649
Taxes receivable	3,416,765	-	3,416,765
Due from other governments	1,343,373	-	1,343,373
Internal balances	(1,855)	1,855	-
Inventories	-	23,741	23,741
Net pension asset	24,212	1,158	25,370
Capital assets:			
Not being depreciated/amortized	6,155,609	-	6,155,609
Being depreciated/amortized, net	20,249,297	350,192	20,599,489
Total capital assets	26,404,906	350,192	26,755,098
Total assets	39,407,182	659,490	40,066,672
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	2,389,531	114,169	2,503,700
OPEB related deferred outflows	92,121	8,007	100,128
Total deferred outflows of resources	2,481,652	122,176	2,603,828
LIABILITIES			
Accounts payable	579,736	4,231	583,967
Contracts payable	727,682	-	727,682
Accrued expenses	210,328	-	210,328
Accrued interest payable	285,930	-	285,930
Unearned revenue	-	39,760	39,760
Long-term liabilities:			
Portion due or payable within one year:			
Debt payable	1,128,636	-	1,128,636
Leases payable	12,032	-	12,032
Compensated absences	96,070	1,427	97,497
Portion due or payable after one year:			
Debt Payable	22,293,471	-	22,293,471
Leases payable	40,848	-	40,848
Compensated absences	64,047	952	64,999
Net OPEB obligation	393,607	34,223	427,830
Total liabilities	25,832,387	80,593	25,912,980
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	1,414,943	67,604	1,482,547
OPEB related deferred inflows	471,273	40,980	512,253
Taxes levied for future period	3,957,289	-	3,957,289
Total deferred inflows of resources	5,843,505	108,584	5,952,089
NET POSITION			
Net investment in capital assets	2,929,919	350,192	3,280,111
Restricted	5,427,971	47,723	5,475,694
Unrestricted	1,855,052	194,574	2,049,626
Total net position	$ 10,212,942	$ 592,489	$ 10,805,431

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
Instruction	$ 7,172,555	$ 91,250	$ 774,547	$ -	$ (6,306,758)		$ (6,306,758)
Support services	4,827,540	663,944	381,494	-	(3,782,102)		(3,782,102)
Community services	31,603	-	-	-	(31,603)		(31,603)
Cocurricular activities	617,156	75,613	10,800	-	(530,743)		(530,743)
Interest and fiscal charges	749,466	-	-	-	(749,466)		(749,466)
Total governmental activities	13,398,320	830,807	1,166,841	-	(11,400,672)		(11,400,672)
Business-type activities:							
Food service	913,757	437,971	405,259	-		$ (70,527)	(70,527)
Drivers education program	17,735	13,890	-	-		(3,845)	(3,845)
After school program	156,786	-	151,803	-		(4,983)	(4,983)
Total Business-type activities:	1,088,278	451,861	557,062	-		(79,355)	(79,355)
Total School District	$ 14,486,598	$ 1,282,668	$ 1,723,903	$ -	$ (11,400,672)	$ (79,355)	$ (11,480,027)
General revenues:							
Taxes:							
Property taxes					7,877,914	-	7,877,914
Gross receipts tax					217,152	-	217,152
Revenue from state sources:							
State aid					3,692,599	-	3,692,599
Other					73,724	-	73,724
Earnings on investments					91,917	-	91,917
Miscellaneous					65,890	-	65,890
Transfers					(16,837)	16,837	-
Total general revenues and transfers					12,002,359	16,837	12,019,196
Change in net position					601,687	(62,518)	539,169
Net position - beginning					9,611,255	655,007	10,266,262
Net position - ending					$ 10,212,942	$ 592,489	$ 10,805,431

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	Major Funds					Nonmajor Fund	Total
	General	Capital Outlay	Special Education	Bond Redemption	Capital Projects	Endowment	Governmental Funds
ASSETS							
Cash and cash equivalents	$ 2,478,920	$ 2,637,428	$ 317,801	$ 420,341	$ -	$ 9,412	$ 5,863,902
Restricted cash and cash equivalents	-	-	-	800,000	1,356,726	-	2,156,726
Investments	-	-	-	-	-	187,734	187,734
Taxes receivable	1,394,657	811,609	724,186	486,313	-	-	3,416,765
Accounts receivable	11,419	-	-	-	-	-	11,419
Due from other governments	745,488	502,098	93,114	2,673	-	-	1,343,373
Total assets	$ 4,630,484	$ 3,951,135	$ 1,135,101	$ 1,709,327	$ 1,356,726	$ 197,146	$ 12,979,919
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 21,959	31,066	$ 7,995	$ -	$ 518,716	$ -	$ 579,736
Contracts payable	603,354	-	124,328	-	-		727,682
Accrued expenses	174,216	-	36,112	-	-	-	210,328
Due to other funds	1,855	-	-	-	-	-	1,855
Total liabilities	801,384	31,066	168,435	-	518,716	-	1,519,601
Deferred Inflows of Resources:							
Taxes levied for future period	1,598,212	946,805	844,836	567,436	-	-	3,957,289
Unavailable revenue - Property taxes	4,937	2,037	1,803	1,120	-	-	9,897
Unavailable revenue - Utility taxes	58,389	-	-	-	-	-	58,389
Total deferred inflows of resources	1,661,538	948,842	846,639	568,556	-	-	4,025,575
Fund balances:							
Nonspendable:							
Endowment	-	-	-	-	-	107,796	107,796
Restricted:							
Capital outlay	-	2,971,227	-	-	-	-	2,971,227
Special education	-	-	120,027	-	-	-	120,027
Bond redemption	-	-	-	1,140,771	-	-	1,140,771
Capital projects	-	-	-	-	838,010	-	838,010
Enhanced academics	-	-	-	-	-	89,350	89,350
Assigned:							
Student counseling	16,009	-	-	-	-	-	16,009
Student instruction	118,161	-	-	-	-	-	118,161
Unassigned	2,033,392	-	-	-	-	-	2,033,392
Total fund balances	2,167,562	2,971,227	120,027	1,140,771	838,010	197,146	7,434,743
Total liabilities, deferred inflows of resources and fund balances	$ 4,630,484	$ 3,951,135	$ 1,135,101	$ 1,709,327	$ 1,356,726	$ 197,146	$ 12,979,919

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balances for governmental funds		$ 7,434,743
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 814,521	
Building and improvements, net of $10,294,319 accumulated depreciation	18,989,527	
Equipment, net of $742,635 accumulated depreciation	1,206,890	
Construction in progress	5,341,088	
Intangible lease asset, net of $11,244 accumulated amortization	52,880	
Total capital assets		26,404,906
Some of the School District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		68,286
Net pension liability (asset) reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		24,212
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		2,389,531
OPEB related deferred outflows are components of net OPEB obligation and therefore are not reported in the funds.		92,121
Long-term liabilities applicable to the School District's governmental activities are not due and payable in current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2023 are:		
General obligation bonds, Series 2019 - Premium	(888,712)	
General obligation certificates, Series 2022	(14,105,000)	
General obligation certificates, Series 2022 - Premium	(125,732)	
Accrued interest payable	(285,930)	
QZAB bonds	(1,000,000)	
General Obligation CO Certificates Series 2022	(5,600,000)	
General Obligation CO Certificate Series 2022	(1,449,204)	
Leases payable - copiers	(52,880)	
Heating/cooling loan	(153,043)	
Financed Acquisition	(100,416)	
Compensated absences	(160,117)	
Net OPEB obligation	(393,607)	
Total long-term liabilities		(24,314,641)
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		(1,414,943)
OPEB related deferred inflows are components of the net OPEB obligation and therefore are not reported in the funds.		(471,273)
Total net position of governmental activities		$ 10,212,942

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	Major Funds					Nonmajor Fund	Total
	General	Capital Outlay	Special Education	Bond Redemption	Capital Projects	Endowment	Governmental Funds
REVENUES							
Local sources:							
Taxes	$ 3,415,104	$ 1,846,563	$ 1,698,057	$ 1,138,932	$ -	$ -	$ 8,098,656
Tuition and fees	51,897	-	39,353	-	-	-	91,250
Interest and investment earnings	5,136	6,171	260	1,743	72,571	6,036	91,917
Cocurricular activities	75,613	-	-	-	-	-	75,613
Other local revenue	271,883	360,330	46,635	-	-	10,800	689,648
Intergovernmental:							
County sources	50,986	-	-	-	-	-	50,986
State sources	3,484,200	-	282,123	-	-	-	3,766,323
Federal sources	698,431	166,554	291,056	-	-	-	1,156,041
Total revenues	8,053,250	2,379,618	2,357,484	1,140,675	72,571	16,836	14,020,434
EXPENDITURES							
Instruction:							
Regular programs	4,513,425	206,282	-	-	-	-	4,719,707
Special programs	421,462	-	1,623,688	-	-	-	2,045,150
Support services:							
Pupils	275,201	-	422,124	-	-	-	697,325
Instructional staff	319,824	2,776	-	-	-	-	322,600
General administration	354,257	-	-	-	-	-	354,257
School administration	508,094	-	-	-	-	-	508,094
Business	1,902,989	387,583	-	-	-	-	2,290,572
Central	3,808	-	-	-	-	-	3,808
Special education	-	-	269,941	-	-	-	269,941
Community services:							
Nonpublic school services	21,810	-	-	-	-	-	21,810
Cocurricular activities:							
Transportation	71,000	-	-	-	-	-	71,000
Combined activities	469,483	28,250	-	-	-	17,520	515,253
Debt service:							
Principal	-	500,116	-	570,000	-	-	1,070,116
Interest and fiscal charges	-	185,143	-	545,820	-	-	730,963
Issuance costs	-	11,125	-	-	-	-	11,125
Capital outlay	-	364,960	-	-	5,048,021	-	5,412,981
Total expenditures	8,861,353	1,686,235	2,315,753	1,115,820	5,048,021	17,520	19,044,702
Excess (deficiency) of revenues over expenditures	(808,103)	693,383	41,731	24,855	(4,975,450)	(684)	(5,024,268)
OTHER FINANCING SOURCES (USES)							
Transfers in	508,174	-	-	66,667	-	-	574,841
Transfers out	-	(589,675)	(260)	(1,743)	-	-	(591,678)
Capital outlay certificates issued	-	1,500,000	-	-	-	-	1,500,000
Debt proceeds	-	64,124	-	-	-	-	64,124
Total other financing sources (uses)	508,174	974,449	(260)	64,924	-	-	1,547,287
Net change in fund balances	(299,929)	1,667,832	41,471	89,779	(4,975,450)	(684)	(3,476,981)
Fund balances - beginning	2,467,491	1,303,395	78,556	1,050,992	5,813,460	197,830	10,911,724
Fund balances - ending	$ 2,167,562	$ 2,971,227	$ 120,027	$ 1,140,771	$ 838,010	$ 197,146	$ 7,434,743

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

RECONCILIATION OF STATEMENT OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds		$ (3,476,981)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($5,412,981) exceeded depreciation ($979,354) in the current period.		4,433,626
In both the government wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the fund's statement differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".		(3,588)
Net pension liability/(asset) and changes in the pension related deferred outflows/inflows are not reflected in the governmental funds.		146,037
Net OPEB obligation and changes in the OPEB related deferred outflows/inflows are not reflected in the governmental funds.		44,574
Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.		
Repayments:		
GO Bonds	$ 570,000	
GO CO Certificates, Series 2022	305,000	
GO CO Certificates, Series 2022 - Premium	6,796	
GO CO Certificates, Series 2022	50,796	
Lease - copiers	11,244	
Heating/Cooling Loan	47,942	
Financed Acquisition	31,284	1,023,062
Amortization of bond premium:		
GOED - Energy Loan	42,606	
GO Bonds, premium	53,861	96,467
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.		
Other long-term debt		(1,564,124)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment is the net change for the following:		
Compensated absences		(40,595)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrued interest expense		(56,791)
Change in net position of governmental activities		$ 601,687

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Enterprise Funds		
	Major Fund	Nonmajor Fund	
	Food Service	Other Enterprise	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 199,976	$ 43,338	$ 243,314
Accounts receivable	39,085	145	39,230
Due from other funds	1,855	-	1,855
Inventories:			
Supplies	3,332	-	3,332
Stores purchased for resale	17,791	-	17,791
Donated food	2,618	-	2,618
Total current assets	264,657	43,483	308,140
Noncurrent assets:			
Net pension asset	868	290	1,158
Capital assets:			
Machinery and equipment	624,475	-	624,475
Less accumulated depreciation	(274,283)	-	(274,283)
Total noncurrent assets	351,060	290	351,350
Total assets	615,717	43,773	659,490
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	85,626	28,543	114,169
OPEB related deferred outflows	8,007	-	8,007
Total deferred outflows of resources	93,633	28,543	122,176
LIABILITIES			
Current liabilities:			
Accounts payable	3,574	657	4,231
Unearned revenue	39,760	-	39,760
Current portion of accrued compensated absences	1,427	-	1,427
Total current liabilities	44,761	657	45,418
Noncurrent liabilities:			
Accrued compensated absences	952	-	952
Net OPEB obligation	34,223	-	34,223
Total noncurrent liabilities	35,175	-	35,175
Total liabilities	79,936	657	80,593
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	50,703	16,901	67,604
OPEB related deferred inflows	40,980	-	40,980
Total deferred inflows of resources	91,683	16,901	108,584
NET POSITION			
Investment in capital assets	350,192	-	350,192
SDRS pension purposes	35,791	11,932	47,723
Unrestricted	151,748	42,826	194,574
Total net position	$ 537,731	$ 54,758	$ 592,489

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Enterprise Funds		
	Major Fund	Nonmajor Fund	
	Food Service	Other Enterprise	Total
OPERATING REVENUES			
Charges for goods and services	$ 423,906	$ 13,890	$ 437,796
Other operating revenue	14,065	-	14,065
Total operating revenues	437,971	13,890	451,861
OPERATING EXPENSES			
Salaries and employee benefits	395,695	156,786	552,481
Purchased services	4,503	5,981	10,484
Cost of materials	22,837	11,754	34,591
Cost of sales - purchased food	393,498	-	393,498
Cost of sales - donated food	74,713	-	74,713
Other	8,493	-	8,493
Depreciation	14,018	-	14,018
Total operating expenses	913,757	174,521	1,088,278
Operating income (loss)	(475,786)	(160,631)	(636,417)
NONOPERATING REVENUES (EXPENSES)			
Local sources:			
Contributions and donations	-	132,450	132,450
State sources:			
Cash reimbursements	1,834	-	1,834
Federal sources:			
Cash reimbursements	327,113	19,353	346,466
Donated food	76,312	-	76,312
Total nonoperating revenues (expense)	405,259	151,803	557,062
Income (loss) before transfers	(70,527)	(8,828)	(79,355)
Transfer in	16,837	-	16,837
Change in net position	(53,690)	(8,828)	(62,518)
Total net position - beginning	591,421	63,586	655,007
Total net position - ending	$ 537,731	$ 54,758	$ 592,489

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Enterprise Funds		
	Major Fund	Nonmajor Fund	
	Food Service	Other Enterprise	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 429,223	$ 13,890	$ 443,113
Payments to suppliers	(431,161)	(18,129)	(449,290)
Payments to employees	(403,467)	(158,531)	(561,998)
Net cash provided by (used in) operating activities	(405,405)	(162,770)	(568,175)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in	16,836	-	16,836
Contributions and donations	-	132,450	132,450
Cash reimbursements - state sources	1,834	-	1,834
Cash reimbursements - federal sources	327,113	19,353	346,466
Net cash provided by (used in) noncapital financing activities	345,783	151,803	497,586
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(56,865)	-	(56,865)
Net cash provided by (used in) capital and related financing activities	(56,865)	-	(56,865)
Net change in cash and cash equivalents	(116,487)	(10,967)	(127,454)
Balances - beginning of year	316,463	54,305	370,768
Balances - end of year	$ 199,976	$ 43,338	$ 243,314
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (475,786)	$ (160,631)	$ (636,417)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	14,018	-	14,018
Value of donated commodities used	74,713	-	74,713
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(19,120)	-	(19,120)
Inventories	(3,549)	-	(3,549)
Pension related liability	(5,233)	(1,745)	(6,978)
Increase (decrease) in:			
Accounts payable	1,719	(394)	1,325
Accrued expenses	-	-	-
Unearned revenue	10,372	-	10,372
Accrued compensated absences	1,337	-	1,337
Net OPEB obligation	(3,876)	-	(3,876)
Net cash provided by (used in) operating activities	$ (405,405)	$ (162,770)	$ (568,175)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Value of commodities received	$ 76,312	$ -	$ 76,312

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Custodial Funds
ASSETS	
Cash and cash equivalents	$ 277,380
Total assets	277,380
LIABILITIES	
Accounts payable	-
Total liabilities	-
NET POSITION	
Restricted:	
Student activities	174,690
Booster activities	78,650
Flex plan	18,332
Scholarships	5,708
Total net position	$ 277,380

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Custodial Funds
ADDITIONS	
Collections for student activities	$ 532,334
Collections for booster activities	195,175
Collections for flex plan	14,583
Total additions	742,092
DEDUCTIONS	
Payments for student activities	551,063
Payments for booster activities	192,964
Payments for flex plan	15,510
Total deductions	759,537
Change in net position	(17,445)
Net position - beginning	294,825
Net position - ending	$ 277,380

The accompanying notes are an
integral part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Milbank School District No. 25-4 conform to generally accepted accounting principles as applicable to government entities in the United States of America.

Reporting Entity

The reporting entity of Milbank School District No. 25-4 (the School District) consists of the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District.

The School District has included the Milbank School Endowment, a blended component unit, as part of nonmajor governmental funds. The Milbank School Endowment is a nonprofit corporation established to provide an endowment for the Milbank School District through the receipt, solicitation, collection and otherwise raising of money and expending, dispersing, and otherwise handling and dispersing money to the Milbank School District or to any party for the direct benefit of the Milbank School District. The financial records are maintained by the Milbank School District and may be obtained from them.

The School District participates in an informal cost sharing arrangement with five other school districts. See detailed note entitled "Cost Sharing Consortium" for specific disclosures. Cost sharing consortiums do not meet the criteria for inclusion in the reporting entity as component units, but are discussed in these notes because of the nature of their relationship with the School District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between the *governmental and business-type activities* of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources in a net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net Position is displayed in three components, as applicable, net investment in capital assets, restricted, and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation, continued

2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The fund types of the School District financial reporting entity are described below:

Governmental Funds:

General Fund – A fund established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major Fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund – A fund established by SDCL 13-16-6 to meet expenditures which results in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund – A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Bond Redemption Fund – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation, continued

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The Capital Projects Fund is the only capital project fund maintained by the School District. This is a major fund.

Permanent Funds – Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's programs—that is, for the benefit of the School District or its citizenry.

The Endowment Fund is the only permanent fund maintained by the School District. This is not a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Food Service Fund – A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation, continued

Other Enterprise Fund – A fund used to record financial transactions related to drivers' education and after school program conducted for the benefit of the children. The fund is financed by user charges. This is not a major fund.

Fiduciary Funds:

Fiduciary funds consist of the following sub-categories and are never considered to be major funds:

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds. The School District holds assets as an agent in a trustee capacity for various classes, clubs and other such purposes.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting, continued

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the School District, the length of that cycle is 45 days. The revenues accrued at June 30, 2023 are property taxes and federal grants.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary fund and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances, if any.

Cash and Cash Equivalents

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows. Certificates of deposit, regardless of maturity, are not considered to be cash equivalents.

Investments

Investments are reported at fair value based on the framework established by Governmental Accounting Standards Board.

Inventory

Inventory held for consumption is stated at cost.

Inventory for resale is stated at the lower of cost or market. The cost valuation method is the first-in, first-out method. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide and enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Inventory, continued

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventories of the governmental funds were immaterial as of June 30, 2023.

Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

All purchased capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total June 30, 2023 balance of capital assets for governmental activities includes approximately 20 percent for which the values were determined by estimates of the original costs. The total June 30, 2023 balance of capital assets for business-type activities includes approximately 5 percent for which the values were determined by estimates of the original cost. These estimated original costs were established by deflated current replacement cost.

For governmental and business-type activities capital assets, construction-period interest is not capitalized, in accordance with GAAP.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets, continued

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land	All	-	-
Buildings	$ 50,000	Straight-line	15-50 years
Improvements other than buildings	$ 10,000	Straight-line	10-50 years
Machinery and equipment	$ 5,000	Straight-line	5-30 years
Intangible leased asset	$ 5,000	Straight-line	3-15 years

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of compensated absences, notes payable, general obligation bonds, financed acquisitions, capital outlay certificates, QZAD bonds, leases and other post employment benefits (OPEB).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Long-Term Liabilities, continued

In the governmental fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

Long-Term Liabilities – Leases Payable

The School District is a lessee for a noncancellable lease of copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (intangible lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of $5,000.

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the intangible lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Long-Term Liabilities – Leases Payable, continued

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Intangible lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period. Deferred outflows consist of pension activity.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period. Deferred inflows of resources consist primarily of property taxes and pension activity.

Pension

For purposes of measuring the net pension (asset)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. School District contributions and net pension (asset)/liability are recognized on an accrual basis of accounting.

Program Revenues

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Program Revenues, continued

2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

Proprietary Funds Revenue and Expense Classifications

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in three components

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Equity Classifications, continued

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

Application of Net Position

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance Classification Policies and Procedures

In accordance with Government Accounting Standards Board (GASB), the School District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The School District uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use *committed, then assigned, and lastly unassigned amounts* of unrestricted fund balance when expenditures are made.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balance Classification Policies and Procedures, continued

The School District *does not* have a formal minimum fund balance policy.

2. DEPOSITS AND INVESTMENTS

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2023, the School District's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

2. DEPOSITS AND INVESTMENTS, continued

Fair Value Measurement – The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments - As of June 30, 2023, the School District had the following investments. Except for the investment in mutual funds, for the Endowment Fund, all investments are in an internal deposit and investment pool:

Investment	Credit Rating	Maturities	Fair Value Hierarchy	Fair Value
Mutual Funds	Unrated	N/A	Level 2	$ 187,734
				$ 187,734

Custodial Credit Risks - Investments – The risk that, in the event of the counterparty to a transaction, the School District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All investments are held in the School District's name with Edward Jones and South Dakota Public Fund Investment Trust Bank serving as custodians.

Interest Rate Risk – The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. As of June 30, 2023, the School District had no investments in any one issuer that is considered to be a concentration.

2. DEPOSITS AND INVESTMENTS, continued

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit income from deposits and investments to the General Fund, except for the Capital Projects, Bond Redemption, Endowment and Food Service Funds. Accounting principles generally accepted in the United States of America, on the other hand, requires material income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

3. RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Amount	Purpose:
$ 800,000	For Debt Service, by debt covenants (sinking funds required to be in a separate account)
1,356,726	Cash and investments received through the issuance of Capital Outlay Certificates for the construction of the CTE and Auxiliary Gym Project
$ 2,156,726	

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Allowance for uncollectible accounts receivable are calculated based on historical trend data. For the year ended June 30, 2023, the allowance for doubtful accounts totaled $ -0-.

5. PROPERTY TAXES

Property taxes are levied on or before each October 1, attach as an enforceable lien on property and becomes due and payable, as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The County bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "available period".

6. CAPITAL ASSETS

A summary of changes in governmental activities' capital assets for the year ended June 30, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated/amortized:				
Land	$ 814,521	$ -	$ -	$ 814,521
Construction in progress	293,067	5,048,021	-	5,341,088
Total capital assets not being depreciated/amortized	1,107,588	5,048,021	-	6,155,609
Capital assets being depreciated/amortized:				
Buildings	26,966,701	91,000	-	27,057,701
Improvements other than buildings	2,226,145	-	-	2,226,145
Equipment	1,739,689	209,836	-	1,949,525
Intangible leases asset	-	64,124	-	64,124
Total capital assets being depreciated/amortized	30,932,535	364,960	-	31,297,495
Less accumulated depreciation/amortization for:				
Buildings	8,227,980	790,984	-	9,018,964
Improvements other than buildings	1,172,227	103,128	-	1,275,355
Equipment	668,637	73,998	-	742,635
Intangible leases asset	-	11,244	-	11,244
Total accumulated depreciation/amortization	10,068,844	979,354	-	11,048,198
Total capital assets being depreciated/amortized, net	20,863,691	(614,394)	-	20,249,297
Capital assets, net - Governmental Activities	$ 21,971,279	$ 4,433,627	$ -	$ 26,404,906

6. CAPITAL ASSETS, continued

Governmental activities' depreciation/amortization expense was charged to functions as follows:

Instruction	$ 499,472
Support Services	430,916
Community Services	9,793
Cocurricular Activities	39,173
Total Depreciation/Amortization Expense - Governmental Activities	$ 979,354

Construction Work-in Progress as of June 30, 2023 is composed of the following:

Project Name	Project Authorization	Expended thru 6/30/2023	Committed	Required Future Funding
CTE & Auxiliary Gym Project	$ 7,966,006	$5,048,021	$2,917,985	$ -
	$ 7,966,006	$5,048,021	$2,917,985	$ -

Required future funding will be provided through existing and future Capital Outlay Fund reserves.

A summary of changes in business-type activities' capital assets for the year ended June 30, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets being depreciated:				
Equipment	$ 567,610	$ 56,865	$ -	$ 624,475
Total capital assets being depreciated	567,610	56,865	-	624,475
Less accumulated depreciation for:				
Equipment	260,265	14,018	-	274,283
Total accumulated depreciation	260,265	14,018	-	274,283
Capital assets, net - Business-Type Activities	$ 307,345	$ 42,847	$ -	$ 350,192

Business-type activities' depreciation expense was charged to functions as follows:

Food Service Fund	$ 14,018

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	$ 14,675,000	$ -	$ (570,000)	$ 14,105,000	$ 595,000
Premium - GO Bonds	942,573	-	(53,861)	888,712	53,861
Capital Outlay Certificates	5,905,000	-	(305,000)	5,600,000	250,000
Premium - GO Certificates	132,528	-	(6,796)	125,732	6,796
QZAD Bonds	1,000,000	-	-	1,000,000	-
Capital Outlay Certificates, FB&T	-	1,500,000	(50,796)	1,449,204	141,306
Other Debt Payable:					
Notes Payable - Publically Placed	200,985	-	(47,942)	153,043	49,429
Notes Payable - Privately Placed	42,606	-	(42,606)	-	-
Financed Acquisitions	131,700	-	(31,284)	100,416	32,244
Total Debt Payable	23,030,392	1,500,000	(1,108,285)	23,422,107	1,128,636
Leases Payable	-	64,124	(11,244)	52,880	12,032
Compensated Absences	119,522	112,308	(71,713)	160,117	96,070
Total Governmental Activities	23,149,914	1,676,432	(1,191,242)	23,635,104	1,236,738
Business-Type Activities:					
Compensated Absences	1,042	1,962	(625)	2,379	1,427
Total Business-Type Activities	1,042	1,962	(625)	2,379	1,427
Total Primary Government	$ 23,150,956	$ 1,678,394	$ (1,191,867)	$ 23,637,483	$ 1,238,165

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund. Compensated absences for business-type activities are liquidated from the Food Service Fund.

Liabilities payable at June 30, 2023 is comprised of the following:

General Obligation Bonds, Series 2019, 3% to 5% interest rate, due in varying semi-annual installments starting August 2020 with final payment due August 2039. Payments will be made from the Bond Redemption Fund.	$ 14,105,000
General Obligation Bonds, Series 2019 - Premium	888,712

7. LONG-TERM LIABILITIES, continued

Capital Outlay Certificates, Series 2022, 3% to 3.5% interest rate, due in varying semi-annual installments starting August 2022 with final payment due August 2041. Payments will be made from the Capital Outlay Fund.	5,600,000
Capital Outlay Certificates, Series 2022 - Premium	125,732
Qualified Zone Academy Bonds, Series 2011, (QZAB), are due in a lump sum in 2026. Interest rate is 0% and is due annually from the Capital Outlay Fund. Sinking fund provisions on the QZAB require annual deposits of $66,667 on February 23 of each year through 2026, during which the fund will continue to earn interest until maturity of the debt on February 23, 2026.	1,000,000
Capital Outlay Certificates, Series 2022, FB&T 3.19% to 4.25% interest rate, due in varying semi-annual installments starting June 2023 with final payment due June 2032. Payments will be made from the Capital Outlay Fund.	1,449,204
Promissory Note, First Bank & Trust; matures July 2025, 3.15% interest rate; annual payments of $54,322 starting July 2021. Payments made from the Capital Outlay Fund.	153,043
Financed Acquisition, CapFirst Equipment, 0% interest rate, annual payments of $36,337 starting April 2022. Payments made from Capital Outlay Fund.	100,416
Total Debt Payable	23,422,107

7. LONG-TERM LIABILITIES, continued

Copier Lease, 4.50% discount rate, due in 13 monthly installments of $1,138 due in 48 monthly installments of $1,184 final maturity July 2027	52,880
Total leases payable	52,880
Compensated Absences	
Payable from the General Fund	138,284
Payable from the Special Education Fund	21,833
Payable from the Food Service Fund	2,379
Total Compensated Absences	162,496
Total Long-Term Liabilities	$ 23,637,483

The annual requirements to amortize long-term liabilities outstanding as of June 30, 2023, except for compensated absences are as follows:

Year Ending June 30,	Bonds Payable		
	Principal	Interest	Total
2024	648,861	522,520	1,171,381
2025	673,861	498,220	1,172,081
2026	1,698,861	472,920	2,171,781
2027	723,861	446,620	1,170,481
2028	748,862	419,320	1,168,182
2029 - 2033	4,214,307	1,619,000	5,833,307
2034 - 2038	5,059,307	771,854	5,831,161
2039 - 2041	2,225,792	72,444	2,298,236
Total	$ 15,993,712	$ 4,822,898	$ 20,816,610

Year Ending June 30,	Capital Outaly Certificates		
	Principal	Interest	Total
2024	398,102	188,570	586,672
2025	407,767	176,331	584,098
2026	422,460	163,838	586,298
2027	437,305	150,893	588,198
2028	443,794	146,349	590,143
2029 - 2033	2,247,739	517,364	2,765,103
2034 - 2038	1,393,982	295,819	1,689,801
2039 - 2041	1,423,787	110,451	1,534,238
Total	$ 7,174,936	$ 1,749,615	$ 8,924,551

7. LONG-TERM LIABILITIES, continued

Year Ending June 30,	Other Debt Payable		
	Principal	Interest	Total
2024	81,673	8,986	90,659
2025	84,563	6,096	90,659
2026	87,223	3,094	90,317
Total	$ 253,459	$ 18,176	$ 271,635

Year Ending June 30,	Leases Payable		
	Principal	Interest	Total
2024	12,032	2,134	14,166
2025	12,633	1,580	14,213
2026	13,214	999	14,213
2027	13,821	392	14,213
2028	1,180	4	1,184
Total	$ 52,880	$ 5,109	$ 57,989

8. INDIVIDUAL INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2023 were as follows:

	Transfers In From	Transfers Out To
Governmental activities:		
General Fund:		
Capital Outlay Fund	$ 506,171	$ -
Bond Redemption Fund	1,743	-
Special Education Fund	260	-
	508,174	-
Capital Outlay Fund:		
General Fund	-	506,171
Bond Redemption Fund	-	66,667
Food Service Fund	-	16,837
	-	589,675
Special Education Fund:		
General Fund	-	260
	-	260
Bond Redemption Fund:		
General Fund	-	1,743
Capital Outlay Fund	66,667	-
	66,667	1,743
Total governmental activities	574,841	591,678
Business-type activities:		
Food Service Fund:		
Capital Outlay Fund	16,837	-
	16,837	-
Total busineess-type activities	16,837	-
Total governmental activities	$ 591,678	$ 591,678

Transfers of deposit earnings to the General Fund from the Capital Outlay, Special Education, and Bond Redemption Funds are reported. Transfers from the Capital Outlay Fund are reported to recognize allowable reserve transfers, additional financing for new Elementary School, debt covenant requirements, and purchase of lunchroom tables. Transfer from the Bond Redemption Fund to the General Fund is related to interest.

9. RESTRICTED NET POSITION

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Position:

Purpose	Restricted By	Amount
Capital Outlay Fund	Law	$ 2,971,227
Special Education Fund	Law	120,027
Bond Redemption Fund	Law	1,140,771
Capital Projects Fund	Law	838,010
SDRS Pension Purposes	Law	208,513
Endowment	Donors	197,146
Total Restricted Net Positon		$ 5,475,694

10. PENSION PLAN

Plan Information

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at http://www.sdrs.sd.gov/publications.aspx or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

10. PENSION PLAN, continued

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
    - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.

10. PENSION PLAN, continued

Benefits Provided, continued

- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2023, 2022, and 2021 were $401,011, $384,584, and $372,065, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2022 and reported by the School District as of June 30, 2023, are as follows:

Proportionate share of pension liabilty	$ 37,893,523
Less proportionate share of net position restricted for pension benefits	37,918,893
Proportionate share of net pension liability (asset)	$ (25,370)

10. PENSION PLAN, continued

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions, continued

At June 30, 2023, the School District reported a liability (asset) of ($25,370) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.26843200%, which is an increase (decrease) of 0.0067785% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense (reduction of pension expense) of ($153,016). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 482,909	$ 1,647
Changes in assumption	1,612,345	1,413,005
Net difference between projected and actual earnings on pension plan investments	-	60,795
Changes in proportion and difference between the School District contributions and proportionate share of contributions	7,436	7,100
School District contributions subsequent to the measurement date	401,010	-
Total	$ 2,503,700	$ 1,482,547

10. PENSION PLAN, continued

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions, continued

$401,010 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,		
2024	$	162,240
2025		354,101
2026		(399,633)
2027		503,435
Total	$	620,143

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50 percent net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	2.10 percent

Mortality rates

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010
Other Class A Members: PubG-2010
Public Safety Members: PubS-2010

10. PENSION PLAN, continued

Actuarial Assumptions, continued

Retired Members:
- Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
- Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
- Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:
- PubG-2010 contingent survivor mortality table

Disabled Members:
- Public Safety: PubS-2010 disabled member mortality table
- Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

10. PENSION PLAN, continued

Actuarial Assumptions, continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100%	2.70%

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of Liability (Asset) to Changes in the Discount Rate

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	$ 5,267,537	$ (25,370)	$ (4,351,071)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

11. OTHER POST EMPLOYMENT BENEFITS – HEALTHCARE PLAN

Plan Description – The Milbank School District No. 25-4 Other Post Employment Benefit Plan (the OPEB Plan) is a single-employer defined benefit healthcare plan administered by the School District. The OPEB Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16 and 13-10-3. Benefit provisions were established and may be amended during the negotiated agreement process between district certified staff and the governing board. The OPEB Plan does not issue separately stated stand-alone financial statements.

Benefits Provided – The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between district certified staff and the governing board. An individual hired on or before June 30, 2017 is eligible to elect medical coverage upon retiring under the South Dakota Retirement System after reaching the age of 55 and with at least 3 years of service. An individual hired after June 30, 2017 is eligible to elect medical coverage upon retiring under the South Dakota Retirement System after reaching the age of 57 and with at least 3 years of service. Coverage ceases when the retiree or dependent attains the age of 65. The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

Relationship Between Valuation Date, Measurement Date, and Reporting Date

The Valuation Date is June 30, 2021. This is the date as of which the actuarial valuation is performed. The Measurement Dates are June 30, 2021 and June 30, 2022. The Measurement Date is the date as of which the total OPEB liability is determined. The Reporting Dates are June 30, 2022 and June 30, 2023. The Reporting Date is the plan's and/or employer's fiscal year ending date.

Employees Covered by Benefit Terms – At the valuation date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or spouses	8
Active employess	144
	152

Total OPEB Liability – the School District's total OPEB liability of $427,830 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date. The School District's obligation is unfunded at June 30, 2023. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

11. OTHER POST EMPLOYMENT BENEFITS – HEALTHCARE PLAN, continued

Actuarial Assumptions

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	Range of 6.5% to 3.0% based on years of service
Discount rate	3.54 percent*
Healthcare cost trend rates	Range of 5.7% to 3.7% based on Duration

* Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Tax Exempt Municipal Bond Yield.

Other Assumptions:

Mortality	97% of RP-2014 Mortality Table, White Collar for females, total dataset for males, adjusted to 2006 and projected generationally with MP-2021
Future retiree participation	25%
Family coverage participation	25%
Age difference	Spouse same age as participant
Turnover	Range of 6.5% to 3.3% based on years of service
Disability	RP-2014 Disabled Mortality Table adjusted to 2006 and projected generationally with MP-2021

11. OTHER POST EMPLOYMENT BENEFITS – HEALTHCARE PLAN, continued

Changes in the Total OPEB Liability

Balance at June 30, 2022, as restated	$ 474,767
Service cost	51,688
Interest cost	11,353
Changes in assumptions or inputs	(65,912)
Benefit payments	(44,066)
Total changes	(46,937)
Balance at June 30, 2023	$ 427,830

Sensitivity of the Total OPB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 2.54%	Discount Rate 3.54%	1% Increase 4.54%
Total OPEB Liability	$ 472,261	$ 427,830	$ 390,076

The following presents the total OPEB liability of the School District calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$ 374,953	$ 427,830	$ 493,175

11. OTHER POST EMPLOYMENT BENEFITS – HEALTHCARE PLAN, continued

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the School District recognized a (decrease) of health insurance expense of ($48,450) due to OPEB. At June 30, 2023, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 54,507	$ 12,493
Changes in assumption	45,621	499,760
School District contributions subsequent to the measurement date	-	-
Total	$ 100,128	$ 512,253

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2024	$ 67,425
2025	67,425
2026	63,578
2027	60,451
2028	51,037
Thereafter	102,209
Total	$ 412,125

12. COMMITMENTS

The School District has a 5 year agreement with an independent entity to provide school bus transportation. The agreement calls for monthly payments based on a per pupil per day charge for resident pupils living outside of the municipal boundaries of Milbank, a flat monthly sum for resident pupils living within the municipal boundaries, and a per mile charge with a per hour waiting fee for out of town activity events and for classes or activities. The agreement includes a formula for adjustment based on fuel price changes and guidelines for renegotiation for insurance premium increases. If there is a significant change in the School District's finances causing it to cease transportation of students, the agreement can be cancelled at the end of the school year. The School District must make a declaration by March 1 of that school year to cancel the agreement. The agreement expires at the end of the 2026-2027 school fiscal year.

For the year ended June 30, 2023, the School District paid $495,144 from the General Fund under this agreement. The School District did not make a declaration to discontinue the agreement.

13. COST SHARING CONSORTIUM

The School District participates in a cost-sharing arrangement for vocational education funds. The School Districts included in this arrangement are Rosholt, Northwestern Area, Frederick Area, Langford, Britton-Hecla, and Milbank. The grant application includes the amounts each school is requesting for the Carl Perkins Vocational Funds. The funds are sent directly to each school; therefore, the Milbank School District records only their share of the revenue and expenditures in the General Fund. The Milbank School District is listed as the fiscal agent on the application but provides no fiscal accounting to the schools. Any pooled expenditures are billed to and reimbursed by the schools involved.

14. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2023, the School District managed its risks as follows:

14. RISK MANAGEMENT, continued

Employee Health Insurance

The School District participates, with other educational units and related organizations in South Dakota, in the Northern Plains Insurance Pool. This is a public entity risk pool currently operating as a common risk management and insurance program for all participants. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from its participants.

The School District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials and vehicle coverage from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation

The School District purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2023, there was one benefit payment made in the amount of $1,730 to one employee. It is anticipated that claims of unemployment benefits in the next fiscal year will result in payment of no claims in the amount of $-0-.

REQUIRED SUPPLEMENTARY INFORMATION

MILBANK SCHOOL DISTRICT NO. 25-4

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - PAGE 1 OF 2
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual (Budgetary - Modified Accrual Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	$ 3,074,059	$ 3,074,059	$ 3,182,561	$ 108,502
Prior years ad valorem taxes	8,000	8,000	9,792	1,792
Utility taxes	260,000	260,000	217,152	(42,848)
Penalties and interest	1,000	1,000	5,599	4,599
Tuition and fees	174,437	174,437	51,897	(122,540)
Earning on investments and deposits	10,000	10,000	5,136	(4,864)
Cocurricular activities:				
Admissions	40,000	40,000	40,552	552
Pupil organization memberships	15,000	15,000	14,256	(744)
Rentals	2,000	2,000	2,180	180
Other pupil activity income	20,500	20,500	18,625	(1,875)
Other revenue from local sources:				
Rentals	15,000	15,000	11,974	(3,026)
Services provided other school districts	-	-	119,782	119,782
Charges for services	20,000	20,000	15,615	(4,385)
Other	120,000	143,900	124,512	(19,388)
Revenues from intermediate sources:				
County sources:				
County apportionment	85,000	85,000	50,986	(34,014)
Revenues from state sources:				
Grants-in-aid:				
Unrestricted	3,603,075	3,603,075	3,482,985	(120,090)
Restricted	-	-	1,215	1,215
Revenues from federal sources:				
Grants-in-aid:				
Restricted	728,840	728,840	698,431	(30,409)
Total revenues	8,176,911	8,200,811	8,053,250	(147,561)
EXPENDITURES				
Instruction:				
Regular programs:				
Elementary	1,807,000	1,787,600	1,780,214	7,386
Middle school	1,045,000	977,000	976,946	54
High school	1,561,000	1,685,000	1,684,995	5
Preschool	72,500	72,500	71,270	1,230
Special programs:				
Culturally different	209,000	218,600	218,569	31
Educationally deprived	277,900	202,900	202,894	6

MILBANK SCHOOL DISTRICT NO. 25-4

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - PAGE 2 OF 2
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual (Budgetary - Modified Accrual Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Support services:				
Pupils:				
Attendance and social work	9,550	27,050	26,479	571
Guidance	147,500	147,900	147,816	84
Health	113,000	101,000	100,907	93
Instructional staff:				
Improvement of instruction	13,000	90,960	90,904	56
Educational media	238,000	238,000	228,920	9,080
General administration:				
Board of education	124,000	146,000	138,414	7,586
Executive administration	219,500	219,500	215,843	3,657
School administration:				
Office of principal	486,000	508,900	507,008	1,892
Other	1,600	1,600	1,086	514
Business:				
Fiscal services	195,000	206,500	206,434	66
Operations and maintenance of plant	1,101,000	1,149,750	1,149,566	184
Pupil transportation	515,000	515,000	507,739	7,261
Food services	28,000	39,500	39,249	251
Central:				
Staff	5,000	5,000	3,808	1,192
Community services:				
Nonpublic school services	32,080	23,580	21,810	1,770
Cocurricular activities:				
Transportation	65,000	71,000	71,000	-
Combined activities	481,500	469,500	469,483	17
Contingencies	30,000	190	-	190
Total expenditures	8,777,130	8,904,530	8,861,354	43,176
Excess (deficiency) of revenues over expenditures	(600,219)	(703,719)	(808,104)	(104,385)
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	508,174	308,174
Total other financing sources (uses)	200,000	200,000	508,174	308,174
Net change in fund balances	(400,219)	(503,719)	(299,930)	203,789
Fund balances - beginning	-	-	2,467,492	2,467,492
Fund balances - ending	$ (400,219)	$ (503,719)	$ 2,167,562	$ 2,671,281

See Independent Auditor's Report

MILBANK SCHOOL DISTRICT NO. 25-4

BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual (Budgetary - Modified Accrual Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	$ 1,885,860	$ 1,885,860	$ 1,838,992	$ (46,868)
Prior years ad valorem taxes	2,500	2,500	5,571	3,071
Penalties and interest	1,000	1,000	2,000	1,000
Earning on investments and deposits	-	-	6,171	6,171
Other revenue from local sources:				
Other	16,800	16,800	360,330	343,530
Revenues from federal sources:				
Grants-in-aid:				
Restricted	-	-	166,554	166,554
Total revenues	1,906,160	1,906,160	2,379,618	473,458
EXPENDITURES				
Instruction:				
Regular programs:				
Elementary	106,000	38,412	38,396	16
Middle school	50,000	45,921	31,409	14,512
High school	80,000	136,512	136,477	35
Support services:				
Instructional staff:				
Educational media	5,000	5,000	2,776	2,224
Business:				
Fiscal services	18,000	9,100	9,100	-
Operations and maintenance of plant	457,098	405,222	404,621	601
Pupil transportation	225,000	258,600	249,836	8,764
Food services	2,500	5,663	5,597	66
Debt service:				
Principal	395,000	442,245	500,116	(57,871)
Interest and fiscal charges	240,970	243,380	185,143	58,237
Issuance costs	11,125	11,125	11,125	-
Cocurricular activities:				
Combined activities	32,000	111,680	111,639	41
Total expenditures	1,622,693	1,712,860	1,686,235	26,625
Excess (deficiency) of revenues over expenditures	283,467	193,300	693,383	500,083
OTHER FINANCING SOURCES (USES)				
Transfers out	266,667	266,667	(589,675)	(856,342)
Capital outlay certificates issued	-	-	1,500,000	1,500,000
Premium on debt issued	-	-	-	-
Debt proceeds	-	-	64,124	64,124
Total other financing sources (uses)	266,667	266,667	974,449	707,782
Net change in fund balances	550,134	459,967	1,667,832	1,207,865
Fund balances - beginning	1,303,395	1,303,395	1,303,395	-
Fund balances - ending	$ 1,853,529	$ 1,763,362	$ 2,971,227	$ 1,207,865

See Independent Auditor's Report

MILBANK SCHOOL DISTRICT NO. 25-4

BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual (Budgetary - Modified Accrual Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	$ 1,666,708	$ 1,666,708	$ 1,691,089	$ 24,381
Prior years ad valorem taxes	3,000	3,000	5,124	2,124
Penalties and interest	2,000	2,000	1,844	(156)
Tuition and fees	25,000	25,000	39,353	14,353
Earning on investments and deposits	-	-	260	260
Other revenue from local sources:				
Services provided other school districts	-	-	-	-
Charges for services	38,000	38,000	43,705	5,705
Other	900	900	2,930	2,030
Revenues from state sources:				
Grants-in-aid:				
Restricted	303,962	303,962	282,123	(21,839)
Revenues from federal sources:				
Grants-in-aid:				
Restricted	290,524	290,524	291,056	532
Total revenues	2,330,094	2,330,094	2,357,484	27,390
EXPENDITURES				
Instruction:				
Special programs:				
Special education	1,713,825	1,667,125	1,623,688	43,437
Support services:				
Pupils:				
Guidance services	16,225	16,225	15,925	300
Health services	23,600	23,600	18,104	5,496
Psychological services	89,500	89,500	88,119	1,381
Speech pathology	159,000	171,300	171,234	66
Audiology services	6,000	6,000	4,085	1,915
Student therapy	137,000	138,900	124,657	14,243
Special education:				
Administrative costs	167,000	167,000	163,630	3,370
Transportation costs	20,500	21,500	13,473	8,027
Other Special Education costs	76,000	107,500	92,838	14,662
Total expenditures	2,408,650	2,408,650	2,315,753	92,897
Excess (deficiency) of revenues over expenditures	(78,556)	(78,556)	41,731	120,287
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(260)	(260)
Total other financing sources (uses)	-	-	(260)	(260)
Net change in fund balances	(78,556)	(78,556)	41,471	120,027
Fund balances - beginning	78,556	78,556	78,556	-
Fund balances - ending	$ -	$ -	$ 120,027	$ 120,027

See Independent Auditor's Report

MILBANK SCHOOL DISTRICT NO. 25-4

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY SCHEDULES
JUNE 30, 2023

1. BASIS OF PRESENTATION

The Budgetary Comparison Schedule has been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedule presents expenditures for capital outlay purposes within each function while the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances present capital outlay expenditures as a separate function.

2. BUDGETS AND BUDGETARY ACCOUNTING

The School District follows these procedures in establishing the budgetary data reflected in the schedules:

1. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.

2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.

3. The proposed budget is published for public review no later than July 15 each year.

4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.

5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.

6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.

7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.

2. BUDGETS AND BUDGETARY ACCOUNTING, continued

8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.

9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.

10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

11. The financial statements prepared in conformity with US GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

MILBANK SCHOOL DISTRICT NO. 25-4

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2023

Milbank School District No. 25-4 Other Post Employment Benefit Plan

* Last 10 Fiscal Years

	2023	2022	2021	2020	2019
Service cost	$ 51,688	$ 90,873	$ 76,101	$ 77,899	$ 78,166
Interest	11,353	19,825	27,269	34,719	31,728
Differences between expected and acutal experience	-	(16,057)	-	102,635	-
Changes in assumptions	(65,912)	(362,996)	70,368	(261,984)	(18,146)
Benefit payments	(44,066)	(62,008)	(89,548)	(87,779)	(88,030)
Net change in OPEB Liability	(46,937)	(330,363)	84,190	(134,510)	3,718
Total OPEB Liability - beginning	474,767	805,130	720,940	855,450	851,732
Total OPEB Liability - ending	$ 427,830	$ 474,767	$ 805,130	$ 720,940	$ 855,450
School District's covered-employee payroll	$ 6,683,512	$ 6,409,730	$ 6,201,080	$ 5,742,501	$ 5,507,028
Schol District's total OPEB liability as a percentage of covered-employee payroll	6.00%	7.00%	13.00%	13.00%	16.00%

* Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

	2018
Service cost	$ 84,508
Interest	25,390
Differences between expected and acutal experience	-
Changes in assumptions	(44,924)
Benefit payments	(38,998)
Net change in OPEB Liability	25,976
Total OPEB Liability - beginning	825,756
Total OPEB Liability - ending	$ 851,732
School District's covered-employee payroll	$ 5,160,457
Schol District's total OPEB liability as a percentage of covered-employee payroll	17.00%

MILBANK SCHOOL DISTRICT NO. 25-4

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
OPEB SCHEDULES
JUNE 30, 2023

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.

MILBANK SCHOOL DISTRICT NO. 25-4

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)
JUNE 30, 2023

South Dakota Retirement System

* Last 10 Fiscal Years

	2023	2022	2021	2020	2019
School District's proportion of the net pension liability (asset)	0.2684320	0.2732570	0.2616535	0.2589577	0.2481628
School District's proportionate share of net pension liability (asset)	$ (25,368)	$ (2,092,681)	$ (11,364)	$ (27,442)	$ (5,788)
School District's covered-employee payroll	$ 6,409,730	$ 6,201,080	$ 5,742,501	$ 5,507,028	$ 5,160,457
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.75%	0.20%	0.50%	0.11%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%

	2018	2017	2016	2015
School District's proportion of the net pension liability (asset)	0.2437919	0.2412656	0.2373196	0.2368706
School District's proportionate share of net pension liability (asset)	$ (22,124)	$ 814,971	$ (1,006,540)	$ (1,706,556)
School District's covered-employee payroll	$ 4,984,642	$ 4,551,951	$ 4,343,157	$ 4,125,153
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.44%	17.90%	23.18%	41.37%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	96.89%	104.10%	107.30%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

MILBANK SCHOOL DISTRICT NO. 25-4

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PENSION CONTRIBUTIONS
JUNE 30, 2023

South Dakota Retirement System

* Last 10 Fiscal Years

	2023	2022	2021	2020	2019
Contractually required contribution	$ 401,011	$ 384,584	$ 372,065	$ 344,550	$ 330,358
Contributions in relation to the contractually required contribution	401,011	384,584	372,065	344,550	330,358
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District's covered-employee payroll	$ 6,683,512	$ 6,409,730	$ 6,201,080	$ 5,742,501	$ 5,507,028
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%

	2018	2017	2016	2015
Contractually required contribution	$ 309,628	$ 299,301	$ 273,163	$ 260,589
Contributions in relation to the contractually required contribution	309,628	299,301	273,163	260,589
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School District's covered-employee payroll	$ 5,160,457	$ 4,984,642	$ 4,551,950	$ 4,343,157
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%

* Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

MILBANK SCHOOL DISTRICT NO. 25-4

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION SCHEDULES
JUNE 30, 2023

Changes from Prior Valuation

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021 and presented to the SDRS Board of Trustees in April and June, 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

Actuarial Assumption Changes, continued

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

SUPPLEMENTARY INFORMATION

MILBANK SCHOOL DISTRICT NO. 25-4

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Contract/Grant Number	Expenditures/ Disbursements Total
US Department of Agriculture			
Child Nutrition Cluster:			
US Department of Agriculture Pass-Through Programs From:			
SD Department of Education:			
Non-Cash Assistance (Commodities):			
National School Lunch Program (Note 3)	10.555		$ 76,312
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	2021G-CANS25004	28,804
National School Lunch Program (Note 3)	10.555	2021G-CANS25004	298,310
Fresh Fruit and Vegetable Program	10.582	2021G-FFVP25004	31,874
Total for Child Nutrition Cluster			435,300
Total US Department of Agriculture			435,300
National Foundation on the Arts and Humanities - Pass-Through Programs From:			
SD Department of Tourism:			
Promotion of the Arts - Partnership Agreements	45.025	20-AISC-113	1,661
Total National Foundation on the Arts and Humanities			1,661
US Department of Education			
Special Education Cluster:			
US Department of Education - Pass-Through Programs From:			
SD Department of Education:			
Special Education - Grants to States (IDEA, Part B) (Note 3)	84.027A	2021G-IDEA25004	283,306
Special Education - Grants to States (IDEA, Part B Section 611) (Note 3)	84.027X	2022G-IDEA25004	123
Special Education - Preschool Grants (IDEA Preschool) (Note 3)	84.173A	2022G-IDEA25004	7,218
Special Education - Birth to Three Part C	84.173X	2022G-IDEA25004	409
Total for Special Education Cluster			291,056
US Department of Education - Pass-Through Programs From:			
SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	2021G-CA25004	218,027
Career and Technical Education - Basic Grants to States	84.048	2022G-PERK25004	33,025
Career and Technical Education - Reserve Funds	84.048	N/A	45,354
Special Education - State Personnel Development	84.323	2018G-630	66,601
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	N/A	21,432
Education Stabilization Fund:			
COVID 19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	2021G-CRRSA25004	112,907
COVID 19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	2021G-ARP25004	334,103
Subtotal US Department of Education - Pass-Through Programs			831,449
Total US Department of Education			1,122,505
US Department of Health and Human Services			
CCDF Cluster:			
US Department of Health and Human Services Pass-Through Programs From:			
SD Department of Education:			
Child Care and Development Block Grant	93.575	N/A	19,353
Total for CCDF Cluster			19,353
Total US Department of Health and Human Services			19,353
GRAND TOTAL			$ 1,578,819

See Independent Auditor's Report

MILBANK SCHOOL DISTRICT NO. 25-4

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the School District. It is not intended to and does not present the financial position, changes in net position or cash flows the School District.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

Note 3: Federal Reimbursement

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received and/or food commodities used rather than federal expenditures.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the School Board
Milbank School District No. 25-4
Milbank, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Milbank School District No. 25-4 (the School District)** as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency: Finding 2023-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
March 29, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the School Board
Milbank School District No. 25-4
Milbank, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Milbank School District No. 25-4's (the School District)** compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2023. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
March 29, 2024

MILBANK SCHOOL DISTRICT NO. 25-4

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2023

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2022-001.

Condition:

Our study and evaluation of internal control structure policies and procedures disclosed that there is a weakness in controls in effect at Milbank School District No. 25-4 (the District) relating to a lack of segregation of duties.

Recommendation:

We recommend that management and the School Board be constantly aware of this situation and continue their review of monthly financial statements. In addition, management should strive to obtain as much segregation of duties as possible as personnel and/or responsibilities changes.

Current Status:

This has not been corrected and is restated as current audit Finding 2023-001.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2022-002.

Condition:

The School District did not complete and submit their audit to the Federal Audit Clearinghouse by the due date of March 31, 2023. This affects all federal programs.

Recommendation:

We recommend the School District become familiar with reporting requirements for each award and implement procedures to begin audit preparation work earlier in the fiscal year to ensure reports are filed within the nine-month reporting deadline set forth by Uniform Guidance.

Current Status:

This has been corrected.

MILBANK SCHOOL DISTRICT NO. 25-4

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?		yes	X	no
• Significant deficiencies identified?	X	yes		none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?		yes	X	no
• Significant deficiencies identified?		yes	X	none reported
Type of auditor's report issued on compliance for major programs	Unmodified			
Audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?		yes	X	no

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
84.425	Education Stabilization Fund
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.582	Fresh Fruit and Vegetable Program

Dollar Threshold used to distinguish between Type A and Type B Programs:	$750,000			
Auditee qualified as low-risk auditee?		yes	X	no

MILBANK SCHOOL DISTRICT NO. 25-4

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2023-001 – Segregation of Duties (Repeat Finding)

Significant Deficiency

Condition:

Our study and evaluation of internal control structure policies and procedures disclosed that there is a weakness in controls in effect at Milbank School District No. 25-4 (the School District) relating to a lack of segregation of duties.

Questioned Costs: None.

Criteria:

Internal controls should be in place that provide reasonable assurance that all financial transactions are reviewed and approved before payments are made and reports generated. No one individual should handle a transaction from its inception to its completion.

Cause:

The School District has a limited number of staff to perform financial transactions.

Effect:

Inadequate segregation of duties could adversely affect the School District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation:

We recommend that management and the School Board be constantly aware of this situation and continue their review of monthly financial statements. In addition, management should strive to obtain as much segregation of duties as possible as personnel and/or responsibilities change.

Views of Responsible Officials:

Please refer to the Corrective Action Plan for management's views and planned corrective action.

MILBANK SCHOOL DISTRICT NO. 25-4

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There are no major federal award program audit findings noted.

Milbank School District 25-4

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Central Office
(605) 432-5579
(605) 432-4137 fax

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(605) 432-6615

Middle School
(605) 432-5519

High School
(605) 432-5546

Justin Downes, Superintendent
Nancy Meyer, Business Manager
Dan Snaza, High School Principal
Ryan Scoular, Middle School Principal/AD
David Graf, Elementary School Principal
Marie Ivers, Special Services Director

Responses to Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

2023-001. Finding: Segregation of Duties

Response: The Superintendent is the contact person at this entity responsible for the corrective action plan for this comment. The entity has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. Milbank School District No. 25-4 is aware of the problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties continues to exist.

Very truly yours,

MILBANK SCHOOL DISTRICT NO. 25-4

Nancy M Meyer

Nancy Meyer
Business Manager